



## Memo

**To:** Hot Springs Village Board of Directors  
**From:** Lesley Nalley, Chief Executive Officer  
**Date:** January 15, 2020  
**Re:** Monthly Board Meeting Updates

### YTD Financial Overview – Preliminary/Unaudited

Thank you to CFO Liz Mathis and her team for their above and beyond effort to produce preliminary year end reports. Because January 1<sup>st</sup> fell on the 1<sup>st</sup> Wednesday of the month, the accounting close schedule was squeezed. While these results are preliminary, as in past years, they have been prepared conservatively in the hopes of avoiding any surprises. The accounting team will continue to evaluate purchasing, bad debt and employee benefit activities to ensure proper accruals and accounting year capture. We will receive the external audit report in April.

**These results suggest the following alignment with the 2019 Enterprise Goals that were directed and approved by the Board on October 17, 2018:**

- ✓ **We did not decapitalize our assets: Capital spending (\$3.48M) outpaced depreciation (\$3.35M)**
- ✓ **Owners' equity grew by \$265k**
- ✓ **We missed the bottom-line operating budget by \$259k or 0.7% of net revenue.**
- ✓ **Through capital spending controls, we remain able to fund reserves.**
- ✓ **30 POA lots were sold**
- ✓ **The number of improved properties grew by 60**

**Other achievements include:**

- ✓ **Total workers compensation expense was decreased 3.4% over 2018**
- ✓ **The Administration division posted a \$419k reduction over 2018 and was \$266k underbudget**
- ✓ **The Community Development & Marketing division posted a \$246k reduction over 2018 and was \$338k underbudget**

**Why should we continue prioritizing new home construction and repairing our broken community funding model through alternative revenue streams?**

- ✓ **There was a 2% decrease in net assessment revenue over 2018. Note: the 2019 Southern CPI factor was 2.7% and 2020's is 1.1%**
- ✓ **Before end of year write-offs, there were nearly 7,000 unimproved properties with assessment balances greater than \$1,000, representing \$3.3M per year in lost assessment revenue. \$4.9M of previously accrued bad debt was written off at the end of 2019.**
- ✓ **The 2019 provision for bad debt ended at \$3.9M, which exceeds the \$2.3-\$3M annual "lift" expected from the two-tier assessment increase.**

## Golf

Highlights include:

- Golf Revenue was \$1.3M under budget and \$322k under 2018 actuals.
- Golf Expense was \$428k underbudget due largely to cost control measures deployed by the maintenance team, as well as from course closures.
- DeSoto, Coronado & Isabella exceeded 2018 revenue
- Total rounds and playable days were 4,292 and 117 lower, respectively, than 2018
- Golf package play was up \$95k over 2018

We continue to evaluate the supply and demand of 8 courses and appreciate the community's patience as we adjust to weather conditions and decreases in member play. Within the first quarter we will be launching a Re-discover Hot Springs Village initiative, with a specific focus on encouraging new home construction on golf course lots. Our marketing efforts will heavily focus on driving golfers to live here, which we also expect to have the residual benefit of growing visitor golf.

## Food & Beverage

Highlights include:

- Food & Beverage missed budget by \$342k and was behind 2018 by \$74k.
- Magellan, Balboa Club, Ponce Center Bars and Granada Grill increased their revenue.
- Magellan, Balboa & Granada all posted reduced subsidies

The weather and course closures, no doubt, impacted this division, but we also missed the mark in areas within our control. Following the mid-year restructuring we saw progress in cost of goods sold and cost of labor and enjoyed a busy holiday banquet season. We have several bright spots of momentum carrying us into 2020 and will be scrutinizing the overall operation.

## Village Homes & Land

- Posted a net profit for the year of \$584, beating both its revenue and expense budgets
- As of 12/31/2019 this operation is closed, with our appreciation to Broker Cheryl Dunson for delivering her original goal - a break even or better operation by 2019.

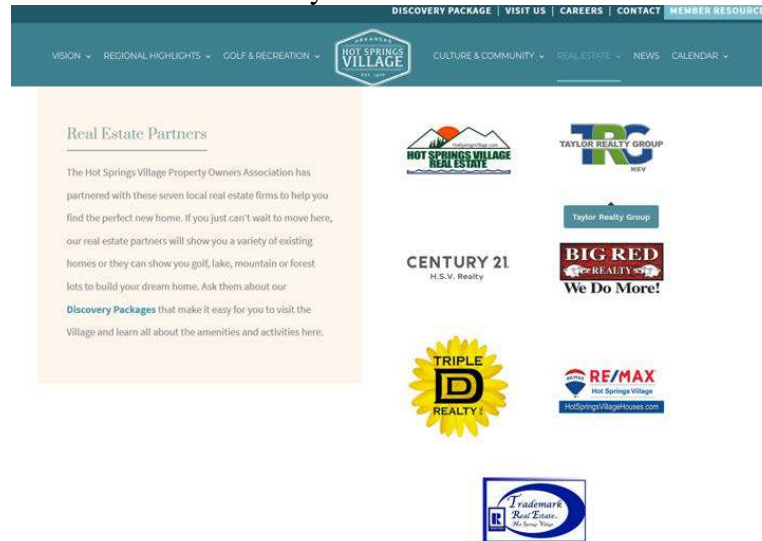
## Other Village Real Estate Stats & Information

New home permits ended ahead of the last 7 years (60 YTD19; 58 YTD18; 50 YTD17; 40 YTD16). Existing home sales are also outpacing those years (693 YTD2019 vs 635 YTD2018). As of the end of December, there were 192 homes listed, a 24% decrease from this time last year (192 vs 238).

On January 6<sup>th</sup>, we kicked off the Real Estate Partner program. 7 brokers who represent roughly 90 Realtors are in the program.



For the first time in POA history, these agencies are featured on the real estate page of our website and received their first leads from the POA on January 7<sup>th</sup>.



### **Discovery Center & Packages**

There were 81 discovery packages completed in 2019, more than double 2018's partial year total of 37. As a result, there were 7 conversions in 2019 and 6 in 2018. The life to date conversion rate is 11%.

Along with the Re-Discover HSV package, the team will be heavily showcasing RV packages this next year. Kevin, Renee & Susan will be at the Ideal Living Show in Chicago next week. We are again thankful to the Arkansas Department of Parks & Tourism for paying the booth rental fees. Bella Vista, Fairfield Bay and Cherokee Village will be joining us there, along with ADP&T.

### **Coronado Center Area Deliberative Engagement**

Page 177 of the Comprehensive Master Plan discusses the importance of the Coronado Center area and suggests some potential improvements to ensure it remains active, vibrant and meets the needs of the surrounding stakeholders. Staff are not in agreement with all of the recommended interventions or suggesting that the POA attempt to act as a Developer. Rather, given that the POA has millions of dollars of assets and infrastructure in this area, as well as approximately 200 homes and multiple businesses whose property values are important to their owners, we wish to continue evaluating the area through community engagement and encouraging new and continued investments.

Throughout the last half of 2019 the Directors of Placemaking & Recreation, along with the Recreation Committee conducted a number of round table discussions and one on one interviews with various stakeholder groups. The goal of the discussions was to better understand the utilization of amenities and needs not being met and to engage current and potential commercial investors for continued growth and sustainability of the area.

Groups engaged during 2019 included the HSV Players, Brushstrokes, HSV Symphony Guild, HSV Evening Lions, HSV Computer Club, Lake Coronado Shoreliners, Residents of Coronado Courts, Church Leadership and the Townhouse Association Board.

This year, the team will be engaging users of tennis, fitness, RV, Coronado Community Center and library, as well as area businesses and property management companies and HSVPD. Those in the area who are interested in hosting a group engagement session, are encouraged to contact Stephanie Heffer or Stacy Hoover.